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UNCLAS SECTION 01 OF 02 SHANGHAI 000326

SENSITIVE  
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TREASURY FOR OASIA/INA/CUSHMAN AND WINSHIP  
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EMBASSY BEIJING PASS WUHAN  
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SUBJECT: NINGBO'S ECONOMY - OUT WITH THE OLD AND IN WITH THE NEW

REF: SHANGHAI 318

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1. (SBU) Summary. During an August 4 farewell visit to Ningbo in Zhejiang Province, the Consul General (CG) discussed Ningbo's economy and development plans with Mayor Mao Guangle and Ningbo Foreign Affairs Office Director Kong Weiwei. The two officials said Ningbo aims to "upgrade" its economy by moving out the old manufacturing industry and ushering in a service and R&D-based economy. International educational institutions will play a key role in this effort. Ningbo's biggest concern now is its 3.3 million migrant workers, many displaced by the economic downturn in the United States and other export markets. Kong said Central Government approval for resumed provincial-level cooperation with the Consulate on IPR has not yet been received, but may materialize after the Olympics. In a separate meeting, Ningbo Entry-Exit Inspection and Quarantine Bureau officials discussed trends in U.S. agriculture imports, U.S. food and product safety concerns, and opportunities for cooperation (reftel). End Summary.

#### Understanding is the Basis of Cooperation

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2. (SBU) Mayor Mao emphasized that relations and cooperation between Ningbo and the Consulate have been very good during the CG's tenure and noted the need to continue working together. As part of the greater Yangtze River Delta (YRD) development along with Hangzhou, Nanjing and Shanghai, Ningbo actively seeks to build relationships with and attract businesses from other cities within China. In foreign relations, the city hopes to establish a special relationship with Atlanta, but Atlanta has not yet made a final decision. (Note: Wuhan is also courting Atlanta. Atlanta has not yet decided which city it will choose and whether it will be a "sister city" relationship or a "friendship city" relationship. Ningbo has suggested that Atlanta select both and simply describe them differently. Ningbo would be satisfied as the "friendship" city. End Note.)

#### A Vision for Future Development

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3. (SBU) According to Mao, Ningbo is developing rapidly (11.4 percent GDP growth in 2007) and integrating more closely with the rest of the YRD. Modern transportation connections support the integration of the region, including the new Hangzhou Bay Bridge (opened May 2008), which has reduced the travel time from Shanghai to Ningbo by two hours. The highway and rail

infrastructure plays a major role in connecting the region. However, Mao said that, to date, the Hangzhou Bay Bridge has not had a measurable effect on the Port of Ningbo's throughput. Mao emphasized that there is much misunderstanding in the West about China's efforts on environmental protection. Many foreigners come to Beijing "expecting dust storms," not realizing China has made great strides in improving environmental conditions. Ningbo is doing its part and paying attention to the environment in its quest to develop.

#### "Education Is Key to Service Sector Development"

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14. (SBU) Mao said that as the city strives to upgrade its economy to compete in the service sector, it wants to upgrade its education system. Ningbo people are highly innovative, and the Ningbo Government wants to build on this foundation. In order to become more competitive, Ningbo wants to establish a world-class education system. The city plans to introduce international education institutions and give them responsibility for a part of the curriculum, up to 30 percent, in certain occupational training programs such as accounting and law. Ningbo has already started this type of collaboration, with an educational institution from Nottingham, England. Mao welcomes U.S. educational institutions' participation in the "modernization" of Ningbo's universities and believes this collaboration would be profitable for both sides. These international institutions will lay the groundwork for a service industry that meets international standards.

15. (SBU) In addition, Mao noted the city has great potential for development, but needs land. The city is using financial incentives to encourage old factories to move away from the city to inland areas. Mao said that this effort will not only provide land for service and R&D industries, but also help alleviate pollution, energy shortages, and migrant labor issues.

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#### Displaced Workers Causing Instability

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16. (SBU) Mao noted that the issue of unemployed migrant laborers is the most pressing question on his plate. There is now more unrest due to displaced labor than either environmental degradation or land dispute issues. In total, the city has more than 3.3 million migrant workers, mostly from neighboring provinces. Since 20 percent of the economy is dependent on foreign trade, many migrant workers are losing jobs as the United States' and other countries' economies begin to slow down. Migrant workers do not have Ningbo residency and are not entitled to participate in municipal social programs. Ningbo industries hit the hardest include plastics, petrochemicals, toys and textiles. The new Labor Contract Law has made companies more hesitant to hire laborers. Adding to the difficulty, inflation (approximately 6.5 percent according to Mao) is hitting these displaced workers the hardest.

#### IPR Cooperation Still Not Approved

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17. (SBU) In a separate discussion with FAO Director Kong, CG inquired whether the resumption of intellectual property rights (IPR) cooperation in the JCCT meant that the provinces would also resume cooperation on IPR. (Note: Since the filing of the IPR-related WTO cases in 200X, Zhejiang, including Ningbo, has consistently rejected every request from the Consulate to meet on IPR issues.) Kong replied that approval from the Central Government has not yet arrived, but thought that approval might be forthcoming after the Olympics. He added his regret about the disruption in exchanges on the issue and hoped the situation would change in the near future.

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